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all Russians. Yeromin, who has no specific assignment, has broad powers in all spheres of the administration and is more important than Trofimov. Krutkov and Gallanov have been charged with the distribution of materials to the parent companies of the various SAG, which, in turn, distribute the materials to the individual plants through their planning sections. However, since the supply of materials is inadequate, it is necessary to make black-market purchases through the DWV (German Materials Distribution Center) in Berlin, formerly known as DEAG (German Export and Import Association), on a barter basis. The DWV, by order of Krutkov and Gallanov, handles the monetary transactions in connection with the procurement of scarce materials for privileged companies or for private individuals who serve as proxies.

Among the banks involved are Hobro-Schweiz, whose main office in Zurich is headed by Director Hedinger; Interimpex of Brussels; and Baseler Lloyd (connected with the Lloyd concern in Hamburg). Banking connections have been established with Baer of Zurich, Andretto of Zurich, and Universelle de Geneve, fiscal agent of Baseler Lloyd.

The following divisions have been set up:

Division I. Over-All (Soviet) Planning for Production and Distribution -- This division functions under direct orders from Moscow. It is impossible to obtain further information on it because all offices are guarded by MVD men armed with submachine guns.

Division II. Legal Affairs -- The chief is Berger (fnu), a Soviet civilian who speaks excellent German, is a lawyer, and is well versed in both Soviet and German law. He is extremely intelligent. This division handles contracts, large-scale purchases, financial matters, etc. The Price Commission is also a part of this division. This body examines all cost calculations which are used as a basis for fixing prices, and forwards such material to the Finance Ministry with instructions that these prices be adopted independently of other price arrangements or regulations because: (1) The SAG operate at a fixed profit (Operation SIM); (2) This fixed profit is 43 percent for ordinary production, and 3 percent bona fide exports. The profit is realized not in money, but in goods, on the basis of the 1944 price ceilings or on the basis of prices fixed by the Soviet authorities.

Division III. Commercial Division -- The chief is Yevtushenkov (fnu), a Russian. His deputies are Zaytsev (fnu); Murashov (fnu), Jewish, a chemistry specialist; Fomin (fnu); Zamotin (fnu), consultant; and Kyrenkov (fnu). These men are all Russians. The latter three serve as consultants for machine building, market analysis, advertising, and commercial exhibits. This division approves all sales except large-scale projects under the trade treaties, which are controlled directly from Moscow.

MVD Division (Security Service) -- The chief is Kovalov (fnu), a Russian. The staff consists of four men quartered in private houses in Karishorst. Special interpreters are assigned to them. Chakhanov (fnu), a Russian, is in charge of the division's internal affairs. He is responsible for the Economic Section, bookkeeping, cash funds, and the division's garages and 75 trucks. He is also in charge of German personnel.

German subsections of the Soviet divisions are as follows:

1. The Soviet planning division [Division I ?] has no German subsection.
2. The Central Supply Office for Supply Division [sic], Franz Joseph Strasse 126-130, Berlin.

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3. Sales Office (German office of the Commercial Division), a component of the Main Administration. The chief is Alex Kirves, a Baltic German. The office has the following departments and personnel:

a. Department of Machine and Vehicle Construction

Consultant: Egon Faltin, German

Secretary: Eva Marten, German (Source who furnished this report)

b. Department of Electrical Engineering

Consultant: E. Varloff, Baltic German

c. Department of Chemistry

Consultant: Otto Kriegbaum, German

Stenographer: S. Theobald, German

d. Department of Commercial Exhibits

Consultant: R. Weiher, German

Deputy: Miss Roehler (fnu), German.

This department has on display a cross section of the entire production of the SAG. The exhibit rooms take up two entire floors.

The functions of the Sales Office are storage and sale of goods not readily marketable, partial processing of current production, contact and procurement, barter arrangements, and procurement of dollars for imports.

Miscellaneous -- All German personnel are hired upon instructions from Moscow and are subject to clearance by the MVD. All German employees come within the purview of the laws of both the German Democratic Republic and the USSR for purposes of discipline.

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